

STATE BOARD TO REVIEW CLAIMS

MEETING OF DECEMBER 18, 1996
Las Vegas, Nevada

ITEM: IV.A.

SUBJECT: Statement of Policy Clarifying Petroleum Fund
Reimbursement Procedures for Major Equipment
Transfers

DISCUSSION: The Petroleum Fund has credited and debited the
accounts of sellers and purchasers, respectively,
the depreciated equipment value for major capitol
remediation equipment (hereinafter referred to as
"equipment") transfers from one site to another.

To date, equipment transfers have occurred
between claimants whose Nevada Petroleum Fund
claims have been subject to a specified dollar
deductible amount. Beginning in 1995, many new
Petroleum Fund claimants became subject to a 10%
owner copayment which replaced the owner
deductible liability (Resolution 95-028 adopted
September 15, 1995).

Many claimants are now subject to a reimbursement
reduction of varying percentages due to their
non-compliance with regulations governing
underground storage tanks and any associated
corrective action (Resolution 94-023 adopted
November 30, 1994).

This Resolution describes how equipment transfer
credits and debits are applied to Petroleum Fund
cases when, for either the buyer or the seller or
both:

- a) a 10% owner copayment is applicable,
- b) any action by this Board has resulted in a
percentage reimbursement reduction,
- c) a fixed dollar deductible applies, or
- d) the owner/operator has paid for a portion of
the equipment through some other mechanism
not noted above.

RECOMMENDATION: Adoption of Resolution No. 96-035 as proposed.

STATE BOARD TO REVIEW CLAIMS
RESOLUTION NO. 96-035

Resolution to Adopt a Reimbursement Policy
for Major Equipment Transfers

Whereas, the State Board to Review Claims (hereinafter referred to as the Board) Finds:

1. The State of Nevada Petroleum Fund has debited and credited buyer's and seller's Petroleum Fund accounts, respectively, for equipment transfers from one site to another.
2. The value of Equipment is determined according to a depreciation schedule over a thirty-six month period to a final salvage value of ten percent of the initial cost (Resolution 95-009 adopted June 20, 1995).
3. Equipment purchased by an owner/operator which is reimbursed by the Nevada State Petroleum Fund is owned by the owner/operator of the site regardless of whether or not the reimbursement is the full purchase price of the equipment.
4. As a condition of reimbursement by the State of Nevada Petroleum Fund for the purchase of remediation equipment, the owner/operator agrees to certain terms and conditions applicable to the equipment and its final disposition.
5. Upon transfer of equipment from a Petroleum Fund site, the ownership of the equipment transfers from the seller to the buyer.
6. Upon transfer of equipment from a Petroleum Fund site, the **equipment value** as determined in Finding No.2 is both debited and credited to the **SELLER'S** account.

The **debit** is the dollar amount equal to the equipment's depreciated value as described in Finding No. 2 above. The debit is entered into the Nevada Division of Environmental Protection's Claims Tracking Systems as a fictitious claim for the negative amount of the depreciated value. This debit has the effect of reducing the original requested amount for the equipment. The debit also **reduces** the apparent total reimbursement requested from the Fund by the seller.

The **credit** is also the dollar amount equal to the depreciation value as described in Finding No. 2. The credit is entered into the Nevada Division of Environmental Protection's Claims Tracking Systems as a fictitious check for the negative amount of the depreciated value. This credit has the effect of reducing the amount of the check (or credit) originally issued by the Nevada State Petroleum Fund as reimbursement for the equipment. The debit also **reduces** the apparent total reimbursement by the Fund to the seller.

7. Simultaneously with the debit and credit to the seller as described above, the same equipment dollar value amount described in Finding No. 6 is both debited and credited, for a Petroleum Fund case, to the **BUYER'S** account.

The **debit** takes the form of a fictitious claim submitted to the Petroleum Fund by the buyer to reimburse the purchase of the transferred equipment. The fictitious claim is entered into the Nevada Division of Environmental Protection's Claims Tracking Systems. This debit **increases** the total reimbursement requested from the Fund by the buyer.

The **credit** takes the form of a fictitious check (or credit) issued by the Petroleum Fund (and entered as such into the Nevada Division of Environmental Protection's Claims Tracking Systems) to the buyer's Petroleum Fund account to reimburse the equipment purchase. This credit **increases** the apparent total reimbursement by the Fund to the buyer.

8. Although no real Petroleum Fund money is awarded, the action described in Findings No. 6 and No. 7 **increases** the overall reimbursement by the Fund to the buyer's case by the **same** dollar amount it **reduces** the reimbursement to the seller's case.
9. Monies received from outright sales of equipment are returned to the State of Nevada Petroleum Fund pursuant to Resolution 95-009 adopted June 20, 1995.

THEREFORE BE IT RESOLVED:

That the State Board to Review Claims directs the Nevada Division of Environmental Protection to credit and debit the Petroleum Fund account of major equipment buyers and sellers in the following manner:

1. For equipment transfers involving an owner/operator liable for paying a percentage of the cleanup cost (whether due to a copayment, a Board specified percentage reduction, or other circumstance):
 - A. Upon transfer of the equipment from a seller's facility, the **SELLER'S** account shall receive the debit and credit as described in Finding No. 6 above. The credit in Finding No. 6. is a positive dollar amount. If applicable, this dollar amount will be reduced by an amount calculated by multiplying the total sum of applicable percentages assessed the seller by the value of the equipment. The reduced credit (a positive number) will then be credited to the SELLER as a negative value, reducing the seller's cost for the equipment.
 - B) Upon transfer of the equipment to a buyer's facility, the **BUYER'S** account shall receive the debit and credit as described in Finding No. 7. If applicable, an amount calculated by multiplying the total sum of applicable percentages assessed the buyer by the value of the equipment shall be a separate line item disallowance to the debit described in Finding No. 7. This line item shall be labeled "owner's copayment" or "Board reduction", as appropriate.
2. For fixed dollar deductible cases, the debit and credit as described in Findings No. 6 and No. 7 above will be used to debit and credit the buyer and the seller.
3. For **non**-Petroleum Fund buyers, administer the debit and credit to the seller as described in Finding No. 7, and process the monies pursuant to the procedures outlined in Resolution 95-009 adopted June 20, 1995.
4. As a condition of reimbursement (whether partial or total), the owner of equipment agrees to allow the Nevada State

Petroleum Fund to sell the equipment once the owner/operator's site no longer requires it (per Resolution 95-009 adopted June 20, 1995). If the equipment is sold to another Nevada State Petroleum Fund site, the owner of the equipment agrees to sell the equipment to the buyer under the conditions described in this resolution.

I, John Haycock, Chairman, do hereby certify that the foregoing is a full, true, and correct copy of a Resolution adopted by the Nevada State Board to Review Claims on December 18, 1996.

John Haycock, Chairman
State Board to Review Claims